

## Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 RSR-01 /128 W  
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R 280845 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4063

C O N F I D E N T I A L MANILA 3517

E. O. 11652: ADS DECLAS 3/31/74

TAGS: EGEN, EFIN, RP, US

SUBJECT: BUSINESSMEN COMPLAIN ABOUT GOP ROLE IN CERTAIN PRIVATE  
FIRMS

1. UNDER NEW SOCIETY PHILIPPINE GOVERNMENT HAS  
BECOME MORE EXTENSIVELY INVOLVED IN AFFAIRS OF PRIVATE  
SECTOR FIRMS. MORE IMPORTANT SECTORS OF GOVERNMENT  
INVOLVEMENT INCLUDE POWER, COMMUNICATIONS, IRON AND STEEL  
AND AIR TRANSPORT. EMBASSY HAS RECENTLY OBSERVED  
INCREASING CRITICISM BY PHILIPPINE BUSINESSMEN  
OF EXECUTION BY GOVERNMENT OFFICIALS OF THEIR NEW  
RESPONSIBILITIES.

2. ONE RECENT EXAMPLE IS REMARKS OF LEADING  
PHILIPPINE INDUSTRIALIST MANUEL ELIZALDE TO U. S.  
EXPORT IMPORT BANK PRESIDENT KEARNS. ELIZALDE PLEADED  
WITH KEARNS NOT TO REQUIRE DEVELOPMENT BANK OF THE  
PHILIPPINES GUARANTEE ON ANY NEW LOANS TO ELIZALDE  
ENTERPRISES. ACCORDING ELIZALDE SUCH A REQUIREMENT  
WOULD MERELY HELP DBP AND OTHER GOVERNMENT OFFICIALS TO  
INTERFERE IN OPERATIONS OF BORROWING FIRM. ELIZALDE  
SAID HE WAS FED UP WITH ACTIONS OF GOVERNMENT OFFICIALS  
IN IRON AND STEEL INDUSTRY, STATING THESE OFFICIALS  
LACKED EXPERIENCE AND WERE MORE BENT ON FURTHERING  
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THEIR OWN INTEREST THAN RESOLVING THE PROBLEMS OF THE INDUSTRY.

3. EMBASSY HAS ALSO RECEIVED COMPLAINTS FROM LUZON STEVEDORING COMPANY ABOUT DBP CONDITIONING GUARANTEE APPROVAL FOR SYNCROLIFT PROJECT FINANCING ON APPOINTMENTS OF TWO PERSONS TO LUSTEVECO BOARD. DBP PRESIDENT LEO VIRATA HAS REPORTEDLY STATED TO LUSTEVECO OFFICIALS THAT DBP IS UNDER SOME PRESSURE TO FIND POSITIONS FOR POLITICAL FAVORITES.

4. COMMENT: ALTHOUGH INTERESTS AND OBJECTIVES OF GOP OFFICIALS CLEARLY DO NOT COINCIDE WITH MANY TRADITIONAL VIEWS OF PHILIPPINE BUSINESSMEN, EMBASSY NEVERTHELESS FINDS SOME ASPECTS OF COMPLAINTS DISQUIETING. PHILIPPINE BUSINESS AND GOVERNMENT WILL HAVE TO WORK TOGETHER IF NEW SOCIETY IS TO ACCOMPLISH ITS ECONOMIC GOALS. USEFULNESS OF GOVERNMENT INVOLVEMENT IN PRIVATE SECTOR WILL BE FUNCTION OF BOTH CAPABILITIES AND DEDICATION OF OFFICIALS CONCERNED. IF EITHER COME UNDER SERIOUS QUESTION, NEW SOCIETY' S ECONOMIC PROGRAMS WILL BE SLOWED. ADS DECLAS 3/31/74. BYROADE

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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